

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08

AGR-20 CEA-02 DRC-01 /193 W
----- 106930

P R 101401Z MAY 74

FM AMEMBASSY COPENHAXEN

TO SECSTATE WASHDC PRIORITY 8975

INFO AMEMBASSY BONN

RUFHBSPXAMEMBASSY BRUSSELS 1245

USMISSION EC BRUSSELS

USMISSION NATO

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

C O N F I D E N T I A L COPENHAGEN 1305

E.O. 11652: GDS

TAGS: PINT, DA

SUBJECT: HARTLING GOVERNMENT SURVIVES CRISIS

REF: COPENHAGEN 1304

SUMMARY: EARLY THIS MORNING HARTLING'S MODERATE LIBERAL GOVERNMENT
SURVIVED -- TEMPORARILY AT LEAST -- ITS MOST SERIOUS CRISIS TO

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DATE BY MEANS OF AN UNPRECEDENTED PROCEDURAL FLUKE. FOLLOWING

ALL-NIGHT SESSION OF THE FOLKETING, (WHICH BROKE UP AT 6:45 AM) DURING WHICH VIRTUALLY ALL PARTIES CAME TO VIEW NEW ELECTIONS AS UNAVOIDABLE, GOVERNMENT WAS MANEUVERED BY SURPRISE, LAST-MINUTE MOTION OF CONFIDENCE INTO POSITION REQUIRING FURTHER NEGOTIATIONS ON ITS CONTROVERSIAL EXCISE TAX PACKAGE. FOLKETING THEN ADJOURNED UNTIL MAY 14. END SUMMARY.

1. WHEN THE FOLKETING CONVENED MORNING MAY 9 TO CONSIDER GOVERNMENT'S DEEP-CUTTING ANTI-INFLATION TAX PACKAGE (REFTEL), IT BECAME EVIDENT THAT HARLING'S STRATEGY WAS TO FORCE SOCIAL DEMOCRATS INTO EITHER ACCEPTING PACKAGE VIRTUALLY INTACT OR ASSUMING RESPONSIBILITY FOR GOVERNMENT'S FALL (AND ONUS FOR THUS BLOCKING NECESSARY ANTI-INFLATION MEASURES). IN TV INTERVIEW LAST NIGHT HARTLING STATED THAT INTEGRITY OF THE PACKAGE MUST BE PRESERVED WHILE FINMIN ANDERS ANDERSEN DECLARED THAT DEADLINE FOR FINAL ADOPTION WAS MIDNIGHT MAY 9-10.

2. FACED WITH THESE ALTERNATIVES, SOCIAL DEMOCRATIC PARLIAMENTARY GROUP DECIDED TO ABSTAIN, THUS PERMITTING PACKAGE TO BE ADOPTED BY GOVERNMENT'S 22 VOTES, WITH SUPPORT FROM OTHER NON-SOCIALIST PARTIES. THIS WOULD IDENTIFY UNPOPULAR PROPOSAL WITH GOVERNMENT RATHER THAN SDP. ACCORDING TO WELL-PLACED SOCIAL DEMOCRATIC SOURCE, THIS DECISION WAS ABANDONED, HOWEVER, DUE TO PRESSURE FROM DANISH TRADE UNION FEDERATION (LO) LEADERSHIP, WHICH INFORMED PARTY CHAIRMAN ANKER JORGENSEN DURING AFTERNOON MAY 9 THAT UNLESS SDP VOTED AGAINST PACKAGE AS PROPOSED, THE LO COULD NOT GUARANTEE THE LOYALTY OF RANK-AND-FILE SOCIAL DEMOCRATIC WORKERS. THE SPONTANEOUS STRIKES (REFTEL) PROTESTING THE PROPOSED TAX INCREASES HAD THE LO LEADERSHIP WORRIED.

3. SDP PARLIAMENTARY GROUP THEN BEGAN NEGOTIATIONS IN EARNEST WITH HARTLING ON POSSIBLE CONCESSIONS THAT MIGHT PERMIT THEM TO VOTE IN FAVOR. WHEN IT BECAME CLEAR THAT GOVERNMENT WAS WILLING NEITHER TO MAKE ANY COMPROMISE OF SUBSTANCE, NOR TO LINK INITIAL EXCISE TAX PACKAGE TO SUBSEQUENT INCOME TAX REFORM PACKAGE, MAJORITY OF SPD GROUP SWUNG IN FAVOR OF FLAT NEGATIVE VOTE - AND ELECTIONS. WHEN FOLKETING SESSION RESUMED AT 3:00 AM THIS MORNING, IT WAS VIRTUALLY UNANIMOUS OPINION AT CHRISTIANSBORG THAT HARTLING WOULD CALL ELECTIONS; ONLY MATTER AT ISSUE WAS DATE, AND MORNING PRESS WHICH PUT TO BED AT THAT TIME
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SPECULATES ON JUNE 4, 5 OR 11.

4. HOWEVER, FOLLOWING FIRST ROUND OF DEBATE, WHICH REVEALED THAT MAJORITY (SDP -47, SOCIALIST PEOPLE - 11, COMMUNISTS -6 AND PROGRESSIVES -28) WERE IN FACT OPPOSED TO GOVERNMENT PROPOSAL, ERHARD JACOBSEN, MAVERICK LEADER OF CENTER DEMOCRATS, TRANSFORMED SITUATION BY PROPOSING A MOTION OF CONFIDENCE IN HARTLING GOVERNMENT. THE MOTION, IN ESSENCE, NOTED THAT ECONOMIC SITUATION REQUIRED

STRINGENT MEASURES AND EXPRESSED PARLIAMENT'S CONFIDENCE IN THE GOVERNMENT'S EFFORTS TO FIND A COMPROMISE ALONG THE LINES OF ITS EXISTING PROPOSAL. ALTHOUGH SOCIALIST PARTIES VOTED AGAINST, JACOBSEN'S MOTION CARRIED 90 TO 64, WITH RADICAL LIBERALS ABSTAINING.

5. MODERATE LIBERALS WERE FORCED TO VOTE FOR CONFIDENCE MOTION IN THEIR OWN GOVERNMENT. REMAINING VOTES IN FAVOR CAME FROM PARTIES WHICH COULD ONLY LOSE IN AN EARLY ELECTION.

(RECENT GALLUP POLL INDICATES THAT ONLY SOCIAL DEMOCRATS, MODERATE LIBERALS, COMMUNISTS AND PROGRESSIVES WOULD MAKE GAINS. GLISTRUP'S PROGRESSIVE ARE SO WRACKED WITH INTERNAL DISSENTION THAT AN ELECTION MIGHT WELL RESULT IN OPEN SPLIT.)

6. THUS HARTLING, PROBABLY RELUCTANTLY, WAS FORCED INTO POSITION OF SEEKING COMPROMISE. THERE ARE INDICATIONS THAT CENTER DEMOCRATS HAVE GOTTEN HIS APPROVAL OF SOME CONCESSIONS IN AREA OF TAXATION OF HOUSING AND RENTALS. WHETHER THIS SUCCEEDS IN ATTRACTING SUPPORT FOR VIABLE COMPROMISE WILL BE SEEN MAY 14 WHEN FOLKETING RECONVENES.

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